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Services Division  
European Satellite Committee

Meeting of 15 October 1958

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Present: [REDACTED] S/COM; [REDACTED] S/CST; [REDACTED] S/TR; [REDACTED] A/E;  
[REDACTED] A/PC; [REDACTED] M/AG; [REDACTED] M/CH; [REDACTED] M/FP;

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The discussion of Problems and Prospects in the Rumanian Economy was continued, with Mr. [REDACTED] A/PC, (speaking for himself and Miss [REDACTED] 25X1A9a), first describing consumer welfare. He said that generally there has been some improvement in consumer welfare over 1956 and substantial statistical improvement over the late 1940's, but that the level of living is still very low. It takes more than one urban wage earner in the family for subsistence, and earnings are often of necessity supplemented by stealing. Although the average diet is adequate in terms of calories, it is poor as to quality of food. Health conditions are still very poor. Nonfood consumer goods are of poor 25X1A9a quality and are generally priced out of range for most families. [REDACTED] stated that urban housing has not followed the general pattern of other consumer goods--as housing is bad and getting worse. In fact, the housing situation is worse than in the USSR--a claim no other Satellite can make. The poor housing takes its toll on health, morale, and worker productivity. Moreover, urban housing is likely to become even worse in the next few years.

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Mr. [REDACTED] remark about the low standard of living generated a number of questions concerning the allocation of resources--whether the consumer would benefit from a different allocation of resources. Mr. [REDACTED] pointed out 25X1A9a that actually Rumania is not poor in natural resources. However, around 70 percent of the labor force is engaged in agriculture, and about two out of every five years are bad weathewise--and the resulting bad crops in those years affects a large portion of the population. Too, the Communists have been concentrating on an industrial development plan for only 10 years.

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Mrs. [REDACTED] M/NF, said that although the nonferrous industry has been given priority during the second five-year plan period, it is still not a key industry, and presents more of a problem than a prospect. Nonferrous ore extraction and metallurgical ore are included as separate industrial branches in official statistics, but we have no specific information on the products. CEMA may be taking its toll nonferrouswise as bauxite is the only commodity mentioned in connection with Rumania's role

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Mr. [REDACTED] M/FP, thinks that petroleum is one of the bright spots in the economy of Rumania. Plans for 1960 are for the production of 13.6 million tons, but they may fall short of this goal--based on the annual increases during the past several years. There have been indications that they have developed a

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more efficient recovery of oil with less gas since the return of Sovrom Petrol in 1955. Their exploration techniques appear to be efficient, too, and they are discovering fields unknown in the 1940's. In refining, they have not yet gone into catalytic cracking, but when they do, it will increase the quality of products, particularly gasoline, and will increase gasoline for export purposes.

25X1A9a The discussion of petroleum brought up the question of Rumania's dieselization program, and Miss [REDACTED] S/TR, reported that the Rumanians have announced that they have both an electrification and a dieselization program underway. They say they are going to electrify the lines with the heaviest traffic, and one line around 60 kilometers has already been reported as electrified. However, it does not seem to us to be a wise decision to go into both an electrification and a dieselization program. Dieselization would seem the more logical for Rumania in view of their petroleum resources, and the initial investment would be far less than for electrification because of the special installations, equipment, power stations, etc., needed for electrification. Miss [REDACTED] M/FP, was of the opinion that the Soviets were taking such a large part of the petroleum output that that may have prompted the decision to use another source of power on the railroads. However, Miss [REDACTED] thought the increased production referred to by Mr. Hoffman ought to take care of the needs of the railroads for dieselization.

25X1A9a Miss [REDACTED] S/CST, said that although a great deal of industrial investment goes into construction, the actual distribution of construction work is not known. 25X1A9a

Counteracting some of the otherwise gloomy picture, Mr. [REDACTED], reported that Rumania has an adequate telephone system, which appears to meet their minimum needs.

25X1A9a On 22 October, Mr. [REDACTED] A/PC, will talk to the Committee on Approaches to Economic Management in East Germany. The meeting will be held at 1330 hours in Room 1121 M Building.

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Secretary

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